



**CITY OF SCOTTSDALE  
DESERT DISCOVERY CENTER PHASE III FEASIBILITY COMMITTEE**

**WEDNESDAY, NOVEMBER 30, 2011**

**ARIZONA STATE UNIVERSITY SKYSONG  
ROOM 301 INGENUITY  
1475 NORTH SCOTTSDALE ROAD  
SCOTTSDALE, ARIZONA 85257  
SUMMARIZED MINUTES**

**MEMBERS PRESENT:** Mike Nolan, Chair  
Nancy Dallett  
Melinda Gulick (arrived at 8:21 a.m.)  
Ken Travous

**MEMBERS ABSENT:** Patrick Weeks, Vice Chair

**STAFF:** Kroy Ekblaw  
Lusia Galav  
Bill Peifer

**GUESTS:** John Sather  
Bob Brais (telephonic)

**Call to Order/Roll Call**

Chair Nolan called the meeting of the Desert Discovery Center Phase III Feasibility Committee to order at 8:13 a.m. A formal roll call confirmed a quorum of members present as stated above.

**1. Approval of Minutes**

- Regular Meeting: November 9, 2011

**COMMITTEE MEMBER TRAVOUS MOVED TO APPROVE THE MINUTES OF THE REGULAR MEETING OF NOVEMBER 9, 2011. COMMITTEE MEMBER DALLETT SECONDED. THE MOTION CARRIED BY A VOTE OF THREE (3) TO ZERO (0). COMMITTEE MEMBER GULICK WAS NOT YET PRESENT.**

## **2. Agenda Items**

- Review and Answers to Questions Regarding the Phase II Feasibility Study with Bob Brais, ConsultEcon, Inc.

Bob Brais responded to questions the Committee has raised over the past few weeks. He explained that the DDC study describes a mid-range, stabilized year, roughly three to four years after opening. The consulting team used their best understanding of the current conditions, as well as their anticipation of what future conditions could be like. The facility should be able to operate at the level described using the resources laid out for it, but it must be understood that the plan and organization will shift as the project manifests into reality. The physical scale of the project, as proposed, is in balance with its revenue generating components. If the scale is reduced, its costs will be lower, but the DDC would risk its ability to achieve critical mass and attract both tourists and residents from across the Metro Phoenix area on a consistent basis. Scaling back the project would also reduce the DDC's benefits to education and economic development.

Chair Nolan said the analysis makes a strong case for showing what the DDC can achieve, but the Committee is mainly interested in exploring the lower end of expectations to see if the project could still be viable. Some of the questions the Committee raised were driven by the input of experts who came to talk about their experiences. For example, the rate of \$35 per square foot for the restaurant, as mentioned in the study, is about double the current rate, and that does not include a 2% net off of revenues. The Director of the Desert Botanical Garden (DBG) said he raises about \$2.5 million in annual operating funds, but has the advantage of being with an organization that has been around for 75 years, and can rely on a staff of 12 to 15 FTE's dedicated to that task. The Committee has been exploring what might happen if the DDC does not meet expectations within the first five years.

Mr. Brais reminded the Committee that there are multiple elements to the DDC's revenue stream. If the restaurant estimate proves too high, that alone will not be a deal killer, and conversely one of the other elements might perform better.

Committee Member Dallett said the Committee found the consultation with Fred Unger extremely sobering. Mr. Brais noted that the restaurant would be in a unique competitive position with an unparalleled setting. Most of Scottsdale's restaurants are in the urban core. The DDC would be able to compete for market segments both during the day and in the evening, which is a real benefit. As the plan advances, the biggest test will be in getting a first-rate operator to make a commitment to the DDC. If a destination restaurant does not pan out, it would still be possible to downscale the vision and provide successful food service; it would just be more modest in scale and cater to the traffic generated by DDC visitation.

Committee Member Dallett said Fred Unger thought it would be extremely difficult to find an operator in the current economic climate, and said competition today is tremendous. Hotels now are increasingly trying to provide places on site for their guests, rather than sending them out every evening. Mr. Brais said it would be reasonable to move along through the design process with the expectation that foodservice would be viable at the DDC. If Fred Unger's prediction proves correct, the DDC would need to make up revenues from other sources. The café and restaurant represent 2.3% of the operational

revenue. If a more modestly performing restaurant only brings in half that amount, it would mean making up about 1% additional revenue from somewhere else. Conversely, Mr. Brais said, food service represents a component of the DDC's brand and image. There is a real opportunity to latch onto the energy that such a destination could create, and that opportunity is worth evaluating.

Committee Member Gulick said suggested balancing Fred Unger's comments with the significant input that other hoteliers provided for the feasibility study. Mr. Unger operates a very specific type of boutique, high-end hotel, which serves an important, but smaller market. She noted that Michael Surguine of Sanctuary and David Richard of The Phoenician both saw a destination restaurant as an important aspect of the plan. Mr. Ekblaw added that Rachel Sacco supports the concept that the DDC would be a big tourism draw. There is always competition in this market for events, and hotels are working harder to keep people on site, but those who attend group functions do not always want to stay at their resort. They want to see trendy and interesting local places. A restaurant tied to the SCVB will get a much broader exposure.

Mr. Brais said an emerging pattern for group meetings and conventions nationally, is to use local places of interest and unique venues for special events. The DDC would be just such a place. Committee Member Gulick said the Desert Botanical Garden has been around for decades. It has a national reputation for quality, and has established itself with local hoteliers as an event site. She inquired whether the DDC is positioned to attract enough visitors without stealing business from the existing cultural institutions in the Valley like the DBG. Would the DDC be in a position to offer free events to generate business?

Committee Member Gulick felt that the DDC restaurant would either have to be a destination in its own right, or simply be a place to get sandwiches. The concentric circles of population around the DDC would make it very unattractive to a restaurateur unless incentives are provided. If the dining destination is going to be an important part of the DDC, then it has to be supported appropriately. Mr. Brais felt that there was some middle ground between those two extremes. The first mission of the restaurant is to serve the hundreds of thousands of visitors annually, and put itself in a position to serve the event market. The restaurant could be viable as a destination even if it falls short of attracting a celebrity chef. This is one aspect of the DDC plan that should be evaluated closely moving forward.

Mr. Sather explained that the concept for the Desert Great Room does not exist elsewhere in Phoenix. Hoteliers have stated that this is something that could encourage convention groups to leave the confines of the resorts. Mr. Ekblaw agreed, noting that Mr. Surguine and Mr. Richard represent different aspects of the Scottsdale resort industry, and both felt that there is room in the competitive marketplace for a venue like this. Mr. Sather noted that most of the group visitors are coming to Arizona to see desert, and this venue would put them squarely in it. Committee Member Gulick stated that in order to compete with resort business, the DDC would need to have the right staff and marketing budget. The DBG has 13 people just on their development staff, along with facility management and rental staff.

Chair Nolan said he was still not comfortable with the notion that the DDC's attendance could end up 25% lower than projected, while the operating budget would only be

reduced by 11%. That would mean that fundraising would have to cover a gap of approximately \$3 million per year, which would be a challenging goal to reach in the short term. Mr. Brais explained that the low test case explores a scenario in which the DDC experiences a first-year surge that is lower than expected, and must immediately adjust to a lower operating profile. It is an example to show what can be done in response, and is not meant to demonstrate an ideal scenario.

Committee Member Dallett queried what the projected paid admissions would be if the low test case scenario came true and the DDC drew 250,000 people. Mr. Brais projected that there would be 170,000 paid admission visits, 20,000 in student groups, 30,000 members, 20,000 in facility rentals, and 10,000 in complimentary visits. Ticketed admissions would be about 220,000. Mr. Ekblaw noted that compared to the equivalent figure provided by the DBG, the DDC projects, as a low case, selling 170,000 paid admission tickets to the Garden's 200,000. Mr. Brais said that while the DBG is an excellent example of a botanical garden, these types of attractions have never been big draws nationally. They tend to rely on members and special events for their revenue. He felt the low-end projection for the DDC was a safe number.

- Staff Presentation on the DDC Land Use and Preserve Ordinance Issues

Lusia Galav presented the Committee with background on the land use issues related to the DDC project. The Municipal Use Master Site Plan case of 2006 anticipated a DDC-type project for the Gateway. The Gateway was Phase One, and the DDC Phase Two. The City presented this assumption to Swaback Partners for their feasibility study and purchased the site using Preserve dollars.

Ms. Galav said the McDowell Sonoran Preserve Commission (MSPC) raised several issues related to the DDC, foremost of which is that the site, being entirely within the Preserve, should therefore be governed by the Preserve Ordinance. The Ordinance, however, does not anticipate the intensity of activity represented by the DDC, and was crafted to provide public access to residents and visitors for passive recreational opportunities.

Ms. Galav said the Ordinance could be amended to accommodate the types of activities that would occur at the DDC. The MSPC is concerned that the DDC would harm the integrity of the Preserve. Scottsdale currently has acquired approximately 17,000 acres of what is projected to be a 34,000-acre preserve. The DDC would only use up to 20 acres to create a facility that would highlight the importance of the Preserve, and explain why the City has made this investment.

Ms. Galav described three feasible scenarios:

- The DDC remains within the Preserve boundary, and is developed in the same manner as the Gateway. The Preserve Ordinance would have to be amended, the site rezoned, and a non-major General Plan amendment made to accommodate the facility.
- The DDC is singled out as a separate parcel, still within the Preserve, but with a legal barrier creating a separate description for it. In amending the Preserve Ordinance for this scenario, a special section would be created to

address the activities that would be permissible in the separate descriptive area established for the DDC, and that would not affect the rest of the Preserve.

- The DDC becomes a separate parcel entirely, and is removed from the Preserve Boundary. The drawback to this scenario is that City Council would have to get voter approval to remove it from the Preserve.

Ms. Galav said none of these scenarios would occur until the reasonableness of funding the project becomes apparent. Mr. Ekblaw clarified that the City plans to rezone and make General Plan amendments for the entire Preserve anyway, so those requirements are not unique to any particular option. The issue that caused the greatest controversy was the feeling that the DDC would set a dangerous precedent in the Preserve. There was some talk of moving the DDC to a completely different place, but City Council did not seek a re-review of the site location.

Committee Member Gulick said she was a member of the MSPC at that time of those discussions. She personally feels that Option Two is the best. It is very common to have use restrictions, or allowable uses, on legally described land. Removing the DDC parcel from the Preserve would cause immense voter confusion. The uses of the DDC can be compatible with the Preserve, as long as they are made allowable in that space. She felt that the DDC should be located next to the Gateway; otherwise, the project should just start over from scratch. The study's attendance projections and business plan depends on the DDC being in the Preserve, adjacent to the Gateway, in this spot.

In response to an inquiry from Committee Member Travous, Mr. Ekblaw explained that under Option Two, the amendment would identify that within the DDC parcel, activity beyond the hours of sunrise and sunset would be possible. It should not be too specific to the point of being constricting, but should fit under the purpose and the management objectives in a separate set of rules and regulations. Because it would be a contractual relationship, there would be a direct link between the operator and the City Council.

Committee Member Travous inquired whether any other group would have legal influence over the DDC. Mr. Ekblaw responded that most likely, the Preserve Director would have the administrative ability to interpret and amend, and that decision-making would be appealable to the City Council. The City would create no separate entity for the purposes of overview. Committee Member Dallett asked whether the MSPC would play a role. Mr. Ekblaw said the general feeling is that the DDC is a unique situation, and the MSPC's focus should remain on the greater Preserve.

Committee Member Travous said the success of the DDC would ultimately depend on its ability to adjust to changing times in ways that we cannot anticipate currently. The DBG had no idea where it would end up 75 years after its creation. He inquired which one of the three options best guaranteed the most flexibility for the operator. Mr. Ekblaw said staff could provide more details on how Option Two would work. The rules created for it do not have to be absolutes; staff can draft them in a way that would allow for some interpretation.

Committee Member Gulick stated that the relationship between the operator and the City Council would be open to the public, and citizens would always have the ability to

provide input. The operator would only be going to Council for major changes, not daily operating decisions. The feasibility study provides a good framework to anticipate the range of uses, but there should be enough flexibility to allow for special circumstances. As it is, the Ordinance gives the Preserve Director the ability to approve nearly anything that meets the Preserve's purpose and the objectives. It would be inadvisable, however, to leave it too open-ended. Option Two identifies the one place in the Preserve that will allow activities like restaurants and event centers. That addresses many of the concerns about setting a precedent. The relationships between the Preserve Director, the Preserve, the Gateway, and the DDC would need to be defined.

Committee Member Dallett queried whether the DDC would look to do anything beyond the bounds of the 20-acres. Mr. Ekblaw explained that if so, the existing structure would suffice to control those activities. Twenty acres is a reasonable high-end size for the DDC parcel, which includes the parking lot. The DDC would need to have daily use parking kept separate from the Gateway trailhead parking. WestWorld's parking lot is also available for events that exceed the capacity of the lot. Shuttles would transport visitors in that case. As the Preserve opens other trailheads, the parking needs at the Gateway might decline.

Mr. Ekblaw noted that the public vote anticipated that the Gateway would have some type of discovery center or museum that would come with related ancillary uses, but it was not put in the Ordinance because at the time nobody knew what it was going to be. Now that the City knows what the DDC could look like, it can write rules and regulations to match. Ms. Galav added that the public has many opportunities to provide input before City Council makes any final decisions. Chair Nolan agreed that Option Two would offer the operator the freedom they would need to manage the program.

**COMMITTEE MEMBER TRAVOUS MOVED TO RECOMMEND THAT STAFF PRESENT MORE DETAIL ON OPTION TWO FOR THE COMMITTEE'S FURTHER CONSIDERATION. COMMITTEE MEMBER GULICK SECONDED. THE MOTION CARRIED UNANIMOUSLY BY A VOTE OF FOUR (4) TO ZERO (0).**

- Action on Possible Recommendations to City Council on the Funding, Phase II Study Concepts, and Land Use/Preserve Ordinance Issues
- General Discussion

### **3. Staff and Committee Updates (A.R.S. 38-431.02(K))**

Ms. Galav distributed copies of an article about the new Natural History Museum of Utah. Mr. Sather said the museum is the newest must-see attraction in the Western U.S. It was a \$100 million project that required raising almost \$50 million in donations. It contains exhibits that are very interactive, but deals in subject matter that many museums across the country have explored. The DDC could do the same type of thing, but exploring a unique subject matter.

**4. Public Comment (A.R.S. 38-431.02 (K))**

There were no public comments.

**5. Identification of Future Agenda Items**

Committee Member Gulick reported that the Committee would hear from Mr. Bruner in two weeks. She proposed that the Committee prepare questions at the next meeting in anticipation of his visit. Mr. Ekblaw said next week's meeting would feature a discussion on phasing as well.

**6. Adjournment**

With no further business to discuss, the Committee meeting adjourned at 9:33 a.m.

Respectfully submitted,  
A/V Tronics, Inc. DBA AVTranz.